

D.T.E. 03-126

D.T.E. 03-124

Petition of Massachusetts Electric Company and Nantucket Electric Company for approval of its rate reconciliation and adjustment filing, pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03 (4)(e), D.P.U./D.T.E. 96-25, and D.P.U./D.T.E. 97-94.

APPEARANCE: Amy G. Rabinowitz, Esq.
National Grid, USA
25 Research Drive
Westborough, Massachusetts 01582-0099
FOR: MASSACHUSETTS ELECTRIC COMPANY
AND NANTUCKET ELECTRIC COMPANY
Petitioner

I. INTRODUCTION

On December 1, 2003, pursuant to settlement agreements approved by the Department of Telecommunications and Energy (“Department”) in Massachusetts Electric Company, D.P.U./D.T.E. 96-25 (1996), and Nantucket Electric Company, D.P.U./D.T.E. 97-94 (1998), Massachusetts Electric Company and Nantucket Electric Company (collectively, “MECo” or “Company”) filed its rate reconciliation and adjustment filing. Included in this filing is a reconciliation of the Company’s 2003 costs and revenues for transition, transmission, standard offer service, and default service, and proposed updated charges and tariffs to be effective for consumption on and after January 1, 2004. In addition, on October 30, 2003, MECo filed¹ a proposal to implement a standard offer service fuel adjustment factor (“SOSFA”) of \$0.01424 per kilowatthour (“KWH”). On December 19, 2003, the Company revised its proposed SOSFA to \$0.01223 per KWH. On December 23, 2003, the Company amended its filing and proposed to implement a standard offer service adjustment factor. As part of this revised filing, MECo lowered its proposed transition charge to comply with the 15 percent rate reduction mandated by the Electric Utility Restructuring Act, Chapter 164 for the Acts of 1997.

The Company proposed: (1) an average transition service charge of \$0.00624 per KWH; (2) an average transmission service charge of \$0.00587 per KWH; (3) a demand-side management charge of \$0.00250 per KWH; (4) a renewables charge of \$0.00050 per KWH;

¹ Massachusetts Electric Company and Nantucket Electric Company, D.T.E. 03-123.

(5) a standard offer service base charge of \$0.05100 per KWH, as well as a standard offer service adjustment factor of \$0.00479 per KWH; (6) a credit to customers via the default service adjustment factor of \$0.00002 per KWH; and (7) a SOSFA of \$0.01223 per KWH.

The Company proposed that the tariff adjustments go into effect January 1, 2004, for usage on and after that date. The Department docketed the filing as D.T.E. 03-126. The Company's last reconciliation filing, Massachusetts Electric Company, D.T.E. 02-79 (2002), was approved subject to further investigation.

On December 10, 2003, the Department issued a notice requesting comments on the Company's proposed rate adjustments and reconciliation for 2004. The Department received comments from the Attorney General of the Commonwealth, and Constellation Power Source, Inc. The Department requested comments on MECo's original and revised SOSFAs on December 4, 2003 and December 19, 2003, respectively. Comments on MECo's initial SOSFA were filed by the Attorney General, Bay State Consultants, Constellation Power Source, Inc., Direct Energy, the Massachusetts Community Action Program Directors' Association, Patriot Energy Group, TransCanada Power Marketing, Ltd., and USGenNE. Comments on MECo's revised SOSFA were filed by the Attorney General.

On November 21, 2003, the Company filed a petition with the Department seeking approval of a distribution rate change related to exogenous events occurring after the date of its rate plan settlement approved in Massachusetts Electric Company/Eastern Edison Company, D.T.E. 99-47 (2000). According to the Company, the exogenous events total approximately \$3.1 million. The proposed costs include a credit to customers of

approximately \$2.1 million relating to the effect of a change in tax depreciation rules, offset by recovery of approximately \$3.4 million associated with regulatory rule changes related to renewable portfolio standards compliance and standard offer service costs incurred as a result of standard market design, and recovery of approximately \$1.8 million associated with a reclassification of congestion costs from transmission to distribution. The Company proposed to implement an exogenous factor of \$0.00014 per KWH for all of MECo's rate classes, effective for usage on and after January 1, 2004. The Department docketed the filing as D.T.E. 03-124.

On December 10, 2003, the Department issued a notice requesting comments on the Company's proposed exogenous factor. The Department received comments from the Attorney General.²

II. ANALYSIS AND FINDINGS

Regarding the Company's reconciliation adjustment petition, D.T.E. 03-126, the Department determines that further investigation is necessary into this filing. The Department finds, however, that the rate adjustment revisions filed by the Company on December 23, 2003, including the revised SOSFA filed on December 19, 2003, for service on and after January 1, 2004, are in compliance with G.L. c. 164, § 1B(b), the Company's restructuring plan approved by the Department in D.P.U./D.T.E. 96-25, and Department

² The Attorney General stated in his comments that a full investigation and hearing into the Company's exogenous costs filing is necessary prior to approval by the Department (Attorney General Comments at 1-2).

precedent,³ and are, therefore, approved. The rate changes are subject to reconciliation pursuant to the Department's ongoing investigation.

Regarding MECo's exogenous cost filing, D.T.E. 03-124, the criteria for inclusion in rates is set forth in MECo's rate plan settlement, approved by the Department in D.T.E. 99-47. In that Order at 29, the Department stated that the "mechanism for inclusion of specific exogenous factors is not automatic. Adjustments for exogenous factors would be subject to review, and after a public hearing, approval by the Department." Therefore, the Department determines that it is necessary to hold a public hearing and to investigate MECo's proposed exogenous costs prior to allowing those costs to be included in the Company's rates. Thus, we will not allow the Company's exogenous cost proposal in D.T.E. 03-124 to take effect January 1, 2004, but we will open an investigation into MECo's proposed exogenous factor.

III. ORDER

After due notice and consideration, it is

ORDERED: That the transition service charges, transmission service charges, demand-side management charge, renewables charge, standard offer service charge, standard offer service adjustment factor, standard offer service fuel adjustment, and default service adjustment factor as proposed by Massachusetts Electric Company and Nantucket Electric

³ 1999 Transition Charge Reconciliation Filing Letter (December 17, 1999); Massachusetts Electric Company, D.T.E. 00-109 (2000); D.T.E. 01-102; D.T.E. 02-79 (2002).

Company on December 23, 2003, are ALLOWED subject to reconciliation pursuant to the Department's investigation; and it is

FURTHER ORDERED: That Massachusetts Electric Company and Nantucket Electric Company's proposal to implement an exogenous cost factor to take effect on January 1, 2004, is DENIED without prejudice, subject to further investigation by the Department; and it is

FURTHER ORDERED: That Massachusetts Electric Company and Nantucket Electric Company shall comply with any and all other directives contained in this Order.

By Order of the Department,

Paul G. Afonso, Chairman

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).